

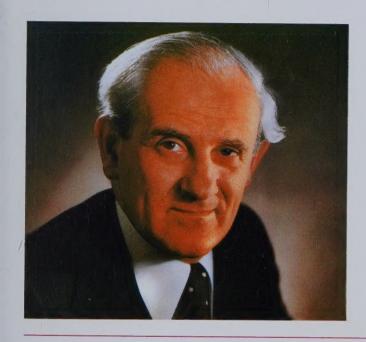
NOMA INDUSTRIES LIMITED ANNUAL REPORT 1977

NOMA



Financial Highlights

	1977	1976
Sales	\$45,810,000	\$36,218,000
Net earnings	1,580,000	1,163,000
Per share	\$1.55	\$1.14
Cash flow from operations	2,956,000	2,301,000
Working capital	7,852,000	4,788,000
Shareholders' equity	10,117,000	8,802,000
Per share	\$9.95	\$8.65



To Our Shareholders:

It is a pleasure to report that record sales and profits were achieved in fiscal 1977, and for the first time since 1973 all divisions of Noma Industries Limited operated profitably for a full fiscal year.

Financial Review

In 1977, sales increased to \$45.8 million from \$36.2 million the previous year. Growth was also shown in profits, which were up significantly by 36%, to \$1,580,000 or \$1.55 per share, from \$1,163,000 or \$1.14 per share a year earlier. Inventory tax credit accounted for approximately \$100,000. While sales and profits increased, operating margins remained relatively stable.

The ratio of sales to inventory improved to 5 to 1 from 4 to 1 the previous year, as a consequence of greater emphasis being placed on effective inventory control.

To increase working capital and reduce current loans, long term bank financing was negotiated at more favourable terms and conditions, increasing from \$3.1 million to \$4.9 million. Working capital rose from \$4.8 million to \$7.8 million.

Capital expenditures on fixed assets were approximately \$1.4 million in fiscal 1977.

During the year, your Company changed its dividend payment policy from semi-annual to quarterly. The dividend was increased from a semi-annual rate of 12¢ per share to a quarterly rate of 7¢ per share on Class A and B Shares, and subsequently in January 1978 to 8¢ per share. Fiscal 1977 is the fifth consecutive year that Noma Industries has paid dividends.

Shareholders' equity rose again during the fiscal year to \$10.1 million from \$8.8 million a year earlier. (\$8.65 per share in 1976 to \$9.95 per share in 1977.)

Operating Review

Noma Lites and its Beck Electric Division, showed improved sales and profits. Every product group experienced sales increase.

Sales increases were also achieved in our Cable Tech Division. Depressed market prices contributed to a drop in operating profits. The major portion of Noma Industries' capital expenditures in Canada were made in this division.

Improved performance was accomplished by our Outdoor Products subsidiary, which successfully completed its relocation to new and larger premises during fiscal 1977. and operated profitably. Noma Industries acquired an additional 10 per cent of the equity in Outdoor Products during the year pursuant to the purchase agreement, bringing the Company's ownership up to 80 per cent. During the year, Outdoor Products entered into a manufacturing agreement with The Toro Company and commenced production of selected Toro consumer products.

Our U.S. subsidiary, Beck Electric Manufacturing Inc., achieved significant sales increases, largely due to the strong demand for Christmas lighting products, and entered the consumer cord market for the first time. This company has moved from a previous loss position to one of profit.

Outlook

Sales for the first quarter of the current year rose by approximately 31% over the same period last year, and we expect sales to remain significantly ahead as the year progresses. Increased sales are anticipated in all divisions. Pricing will remain tight and we expect pressure to continue on profit margins throughout the year. In maintaining our operation efficiently, we expect to spend a million and a quarter dollars on new equipment for the current year. We confidently look forward to the remainder of this vear and to further improvement in our sales.

Appointments

Early this year, Mr. Rudy A. Koehler, President of Noma Lites, announced the appointments of Mr. Benjamin G. Hoag as Vice-President and General Manager of Beck Electric Manufacturing Co., and of Mr. Douglas A. Drew as Vice-President, Manufacturing, and Mr. Stephen S. Dacks as Vice-President, Sales, of Noma Lites Canada Ltd.

Acknowledgement

Your Company's success is made possible by the contributions of our management and staff, who can be proud of the results they have achieved. On behalf of the Board of Directors, I gratefully acknowledge their efforts and support. We are fortunate to have employees who respond in a highly professional manner to the continual changes and challenges of our industry. Their dedication and commitment is recognized and appreciated.

1 Buch

H. Thomas Beck President and Chief Executive Officer April 20, 1978

Directors

Mrs. Theresa Beck

*H. Thomas Beck

Rudolph A. Koehler

*Donald Rafelman

*Andrew Wedd

* Member of the audit committee

Officers

Mrs. Theresa Beck, Chairman of the Board

H. Thomas Beck, President and Chief Executive Officer

Rudolph A. Koehler, Executive Vice-President, and Secretary

Meinrad C. Meerkamper, Controller

Operating Divisions and Subsidiaries

Beck Electric Manufacturing Company, Downsview, Ontario Ben Hoag, Vice-President & General Manager

Beck Electric Manufacturing Inc., Stamford, Connecticut Seymour Jeruss, President

Cable-Tech Wire Company Limited, Stouffville, Ontario Siegfried Riemer, President

Noma Displays Limited, Downsview, Ontario Rolph Baumann, Manager

Noma Lites Canada Limited, Scarborough, Ontario Rudolph A. Koehler, President

Outdoor Products Mfg. Ltd., Brampton, Ontario William Czeban, President

Head Office

375 Kennedy Road Scarborough, Ontario M1K 2A3

Auditors

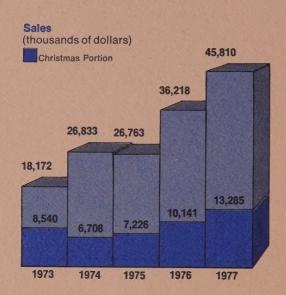
Touche Ross & Co., Toronto

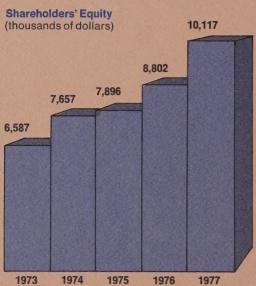
Transfer Agent & Registrar Montreal Trust Company

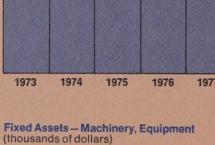
Stock Listing
Toronto Stock Exchange

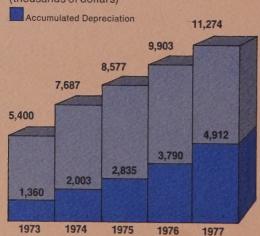
Annual Meeting

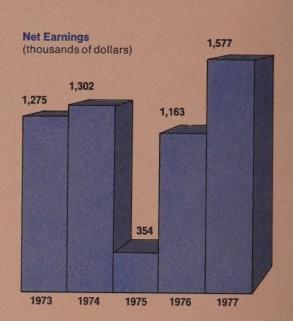
The annual meeting of shareholders will be held on Tuesday,
June 6, 1978 at 11:00 a.m. in the
Algonquin Room of the Royal York
Hotel, Toronto

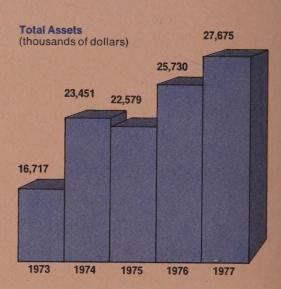


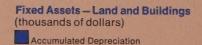


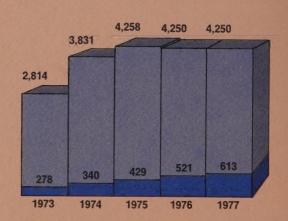












Consolidated Statement of Earnings

For the year ended December 31, 1977 (With comparative amounts for 1976)

	1977	1976
Sales	\$45,810,387	\$36,218,172
Costs and expenses	1 TO THE RESERVE OF THE PARTY O	
Cost of sales and selling and administrative expenses	40,817,524	31,946,502
Depreciation and amortization (Note 8)	1,271,642	1,116,922
Interest on long-term debt	584,791	611,524
Interest on other indebtedness	684,066	567,564
	43,358,023	34,242,512
Earnings before income taxes and minority		
shareholders' interest	2,452,364	1,975,660
Income taxes (Note 11)	840,208	831,001
	1,612,156	1,144,659
Minority shareholders' interest	31,815	18,057
Net earnings	\$ 1,580,341	\$ 1,162,716
Earnings per share	\$1.55	\$1.14

See accompanying notes to consolidated financial statements.

Auditors' Report

The Shareholders, Noma Industries Limited.

We have examined the consolidated balance sheet of Noma Industries Limited as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing

standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the

changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change in accounting policy referred to in Note 2, with which we concur, have been applied on a basis consistent with that of the preceding year.

Toronto, Ontario, March 30, 1978.

Chartered Accountants.

NOMA INDUSTRIES LIMITED

(Incorporated under The Business Corporations Act — Ontario)

Consolidated Balance Sheet

as at December 31, 1977 (With comparative amounts for 1976)

ASSETS	1977	1976
Current	207 770	0 000 004
Cash		\$ 206,804
Accounts receivable (Note 3)		5,613,512
Inventories		9,079,404 271,630
Sundry assets and prepaid expenses		271,030
	16,966,176	15,171,350
Fixed assets (Note 4)		9,842,124
Patents		47,849
Goodwill		610,691
Notes receivable		12,000
Deferred costs (Note 11)	27,738	46,423
	\$27,674,554	\$25,730,437
LIABILITIES		
Current	6 4 175 200	0.0400.004
Bank indebtedness (Note 5)		\$ 6,108,234
Accounts payable and accrued liabilities		3,086,397
Income taxes payable		629,976
Other short-term debt		559,044
Current portion of long-term debt (Note 6)		
	9,113,833	10,383,651
Deferred income taxes	1,628,325	1,555,717
Long-term debt (Note 6)	6,671,643	4,836,367
Minority interest in subsidiary companies	The state of the s	152,256
CHARCHOLDERO'S FOURTY	17,557,605	16,927,991
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	2,456,860	2,456,860
Retained earnings	7,493,239	6,178,736
Contributed surplus		166,850
	7,660,089	6,345,586
	10,116,949	8,802,446
	\$27,674,554	\$25,730,437

See accompanying notes to consolidated financial statements.

On behalf of the Board

Director

Director

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1977 (With comparative amounts for 1976)

	1977	1976
Funds provided by		
Net earnings	\$1,580,341	\$1,162,716
Amounts charged against (credited to)		
earnings but not requiring an outlay of funds		
Depreciation and amortization (Note 8)		1,116,922
Deferred income taxes	72,608	39,201
Gain (loss) of subsidiary companies	04.045	40.057
attributable to minority shareholders	31,815	(18,057)
	2,956,406	2,300,782
Increase in long-term debt	1,835,276	
Decrease in notes receivable		6,000
	4,791,682	2,306,782
Funds used for		
Purchase of fixed assets	1,386,920	1,364,934
Dividends paid including special 15% tax (Note 7)	265,838	207,228
Acquisition of an additional 10% interest		
in Outdoor Products Mfg. Ltd.	52,780	-
Deferred costs (Note 11)		46,423
Increase in notes receivable		
Decrease in long-term debt		557,099
	1,727,038	2,175,684
Increase in working capital	3,064,644	131,098
Working capital at beginning of year (Note 12)		4,656,601
Working capital at end of year		\$4,787,699

See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1977 (With comparative amounts for 1976) 1977 1976 \$6,227,932 \$5,272,444 Balance at beginning of year As previously reported Adjustment of prior years' income taxes (Note 12) 49,196 49,196 6,178,736 5,223,248 1,580,341 1,162,716 Net earnings 7,759,077 6,385,964 265,838 207,228 Dividends paid including special 15% tax (Note 7) Balance at end of year \$7,493,239 \$6,178,736

See accompanying notes to consolidated financial statements.

December 31, 1977

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

- i. The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant intercompany transactions are eliminated.
- ii. All amounts in foreign currencies, including the accounts of the United States subsidiary company are converted to Canadian dollars under the temporal method which is as follows:
 - A. cash, trade receivables and payables and other assets and liabilities which are carried at present prices, at the rate prevailing at the balance sheet date;
 - B assets and liabilities which are carried at past prices, at applicable historical rates;
 - C. income and expenses, at average exchange rates throughout the year; and
 - D. gains and losses are taken into earnings as they arise.

b. Inventories

Inventories comprising raw materials, work-inprocess and finished goods are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

c. Depreciation and amortization

Fixed assets are depreciated on the straight-line basis at rates intended to extinguish the costs of these assets over their estimated useful lives. Leasehold improvements are amortized over five years or the remaining period of the respective leases whichever is the shorter period. Patent costs are amortized over a period of seventeen years.

d. Goodwill

Goodwill is amortized on a straight-line basis over forty years.

e. Income taxes

The provision for income taxes is computed on the allocation basis whereby provision is made for income taxes deferred by virtue of depreciation for income tax purposes exceeding that booked in the accounts. The Company uses the flow-through method in accounting for investment tax credits.

2. CHANGE IN ACCOUNTING POLICY

The Company has changed its accounting policy in respect of foreign currency transactions and balances as at January 1, 1977.

The Company previously applied the current, noncurrent method of accounting for the translation of foreign currency transactions and balances and has now adopted the temporal method, as disclosed in Note 1

The effect of this change is not material to these financial statements and accordingly no restatement of comparative amounts has been required.

3. ACCOUNTS RECEIVABLE

Accounts receivable include \$56,562 (1976 — \$124,337) loaned to shareholder employees of the Company in connection with house purchases.

4. FIXED ASSETS

		1977		1976
		Accumulated depreciation and amortization	Net book	Net book value
Buildings Machinery, equipment and leaseho		\$ 613,006	\$3,076,934	\$3,169,182
improve- ments Moulds, dies and	10,160,359	4,101,255	6,059,104	5,671,044
tooling	1,112,839	810,243	302,596	441,383
Land	14,963,138 560,515	5,524,504	9,438,634 560,515	9,281,609 560,515
	\$15,523,653	\$5,524,504	\$9,999,149	\$9,842,124

5. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of certain receivables and inventories.
Certain of the Company's subsidiaries are required to maintain compensating balances which amounted to \$50,000 at December 31, 1977.

6. LONG-TERM DEBT

	1977	1976
Term bank loans (a)	\$4,900,000	\$3,100,000
Mortgages on real property (b)	2,236,324	2,295,411
	7,136,324	5,395,411
Less current portion	464,681	559,044
	\$6,671,643	\$4,836,367

- a. Interest is payable at 3/4 % to 1 1/4 % above prime interest rate. The security is a fixed charge on land, buildings and equipment and floating charges on all the assets of the Company and its subsidiary companies subject to priorities of mortgages and assignment of certain receivables and inventories.
- b. \$1,102,974 with interest at 8¾ %, due
 December 1, 1992.
 \$1,133,350 with interest at 10½ %, due
 November 1, 1994.

The annual principal payments required in the next five years to meet the long-term obligations are:

1978	\$464,700
1979	770,900
1980	877,700
1981	885,100
1982	893,200

7. CAPITAL STOCK

The Company's authorized capital stock is established at a total of 1,850,000 Class A or Class B special shares without par value and 150,000 common shares without par value.

The Class A and Class B special shares are convertible one into another and are subject to the same rights and conditions except in respect of dividends. Dividends declared on Class B shares are equivalent to those paid on Class A shares except that the Company may be permitted to pay tax deferred dividends on Class B shares, which results in a different tax treatment when received by shareholders.

Under recent legislation enacted by Parliament, the Company will no longer be permitted to pay tax deferred dividends after December 31; 1978 and hence, the distinction between Class A and Class B special shares will disappear. However, between March 31, 1977 and December 31, 1978, the Company is permitted to pay tax deferred dividends without deducting a special 15% tax paid by the Company and therefore, the Class B tax deferred dividend may be the same amount per share as the normal Class A taxable dividend.

At December 31, 1977, there were 225,784 Class A special shares issued and outstanding and 791,216 Class B special shares issued and outstanding, for a total of 1,017,000 shares issued for a consideration of \$2,456,860.

8. DEPRECIATION AND AMORTIZATION

1977	1976
\$1,199,790	\$1,077,668
30,105	16,503
6,300	6,300
16,764	16,451
\$1,271,642	\$1,116,922
	\$1,199,790 30,105 6,300 16,764 18,683

9. COMMITMENTS AND CONTINGENCIES

- a. The total rentals paid for 1977 amounted to approximately \$390,000 under existing leases which are for various periods to 1993.
- b. There were letters of credit outstanding at December 31, 1977 of approximately \$902,000.
- c. Foreign exchange contracts at December 31, 1977 amounted to approximately \$2,778,000 (U.S.) at exchange rates ranging from \$1.0757 to \$1.0905.

d. The Company acquired an additional 10% of the shares of its subsidiary company, Outdoor Products Mfg. Ltd., on May 2, 1977, for a cash consideration of \$52,780 which included \$12,514 in respect of goodwill.

The Company has a commitment to purchase the remaining 20% minority interest at varying dates up to April 30, 1980 at prices based upon that subsidiary company's earnings.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid and payable by the Company and its subsidiary companies to the directors and senior officers of the Company was \$299.507 (1976 — \$269,197).

11. INCOME TAXES

Taxable income has been reduced by approximately \$250,500 in respect of the Federal Government inventory allowance. Earnings before income taxes include approximately \$130,000 in respect of which no income taxes are payable as a result of the application of losses carried forward from prior years.

There are tax losses of approximately \$340,000 (U.S.) available to a subsidiary company to reduce taxable income in respect of the years to 1983. This subsidiary company also has available investment tax credits of approximately \$208,000 (U.S.) to reduce future years' income taxes payable, expiring at varying dates up to 1984.

12. ADJUSTMENT OF PRIOR YEARS' INCOME TAXES

Income taxes payable and accrued liabilities include \$77,196 in respect of anticipated income tax reassessments applicable to the years 1973 to 1975 inclusive.

The balances of retained earnings at December 31, 1976 and 1975 previously reported as \$6,227,932 and \$5,272,444 respectively, have been restated to show a retroactive charge of \$49,196.

The balance of the re-assessment, \$28,000 was in respect of the taxation effect of capital cost allowances and has been adjusted to deferred income taxes.

Working capital at the beginning of the year 1976, previously reported in the statement of changes in financial position as \$4,733,797, has been restated, in respect of the \$77,196 as \$4,656,601.

13. ANTI-INFLATION LEGISLATION

The Company and its Canadian subsidiary companies are subject to controls on prices, profit margins, compensation and dividends under the Federal Anti-Inflation Legislation enacted on October 14, 1975. The Company is of the opinion that the Legislation will have no significant effect on its financial statements.

Operations 10

Noma Lites Canada Limited

Budgeted sales were met in 1977, with sales and profits exceeding those of the previous year. Satisfactory gains were made in all three major product groups — Wire, Extension Cords and Christmas lines.

In the wire group, with the introduction of building wire to supplement our flexible wire line, extra volume was generated in 1977. Prices on wire were depressed throughout the year.

In the extension cord group, several new products were introduced late in 1977. The effect on sales will thus be felt during the current year. Extension cords will also go metric in the second half of this year.

Gains were attained in the Christmas lines, particularly in artificial trees and lighted decorations. Sales of outdoor sets softened compared with last year.

A new line of low energy consuming lights has been developed for this year and is currently being marketed at lower prices than conventional outdoor sets. This new line of "Econoel" lights will be promoted via national radio and print media and will save consumers 30% to 50% in electricity over conventional sets. We expect this to have a positive effect on consumers' decorating habits for outdoors.

Noma Lites also entered into the growing market of energy conservation devices with two different units which will add to sales -Regutemp and Fuel Saver. The Regutemp is a well-engineered clock thermostat which can replace existing thermostats in homes or businesses. Automatically adjusting temperature during sleeping or working hours, models are available for heating only and heating and air conditioning. The Fuel Saver is a simple, inexpensive, auxiliary unit that works on existing thermostats. Our tree export sales continued from the Noma Displays division, where we expect an increase during 1978.

Beck Electric Manufacturing Company

Sales and profits for the year were ahead of 1976. Sales to major appliance customers suffered in line with a general weakness of this industry, however new accounts resulted in the overall increase in both sales and profits.

An emphasis on cost control by reducing material waste and increasing productivity was rewarding. Our quality workmanship and reliable service, particularly over the last two years, has earned us an excellent reputation as a supplier of wiring harness products.

We are budgeting for an increase in sales and profits during 1978 by obtaining a greater share of the electronic industry wiring harness market.

Cable Tech Wire Co. Ltd.

As in the previous year, the wire and cable industry operated below capacity in 1977. Cable Tech sales met the budgeted target, showing an increase of 17%. Profits, due to the depressed state of our industry, were below expectations. Towards the end of 1977, demand for our product firmed slightly and this trend has carried forward into 1978. Overall margins remain unsatisfactory.

A major capital equipment commitment was made in 1977 to improve efficiency and expand capacity, replacing some machinery originally installed in 1968. We expect this equipment to be installed and in operation during the second half of 1978.

Beck Electric Manufacturing Inc.

Fiscal 1977 was a record year in sales. Demand for our Christmas products was strong and a great part of our sales efforts went into establishing new customers for consumer extension cord sets, and budgeted sales were achieved.

The company realized a profit for the year, although it was not satisfactory due to manufacturing inefficiencies. Progress in developing a nucleus of skilled key personnel was much slower than expected and we will continue to place emphasis in this important area.

Current sales and orders on hand are running ahead of last year, and we are confident this will continue throughout 1978.

Outdoor Products Manufacturing Ltd.

Our sales growth trend continued in 1977 with improved results over 1976, however profits were not satisfactory. Aided by heavy early snowfalls, our snowblower sales increased, and by obtaining new customers for the lawn products, our market share in mowers expanded.

In mid-year, a licensing agreement was concluded with The Toro Company, a leading U.S. lawn equipment manufacturer, to produce various consumer lawn care and snow removal products. A pilot production of Toro products has been successfully completed.

A new, fully automatic, metal finishing system was contracted for and installation is now complete. This new addition will help us improve manufacturing efficiency and savings.

During the past year, we were able to improve on labour efficiencies and have also reduced our level of inventory in ratio to sales.

The prospects for 1978 are encouraging. Our summer product bookings are substantially ahead of the previous year. We are budgeting a significant increase in snowblower sales due to depleted inventories at all levels of snow removal equipment, increased demand for our products in the export markets, and further expansion of our product lines. The current fiscal year marks our first full production year of the Toro products. This added volume will help absorb some of our overhead and will help us to maintain production throughout the year.

We are confident that increased sales, better plant utilization and continued efforts on cost controls will result in much improved profits for 1978.

New Products 11





NEW handy-man aids; Reel-a-Cord grounded extension cord for indoor and outdoor use, with strong plastic carrying case features two outlets. Emergency lamp, for cars, trucks, boats, campers. An indispensable aid for emergency repairs. Clips on to 12 volt battery, complete with bulb and 25 ft. cord.

AND Energy Savers — for in home and commercial use. Highly engineered clock-thermostats to automatically set temperature back and forward. So simple to install too. Models for heating and airconditioning to save you dollars and provide more comfort for home or business.



Cable Tech continues to manufacture a widely diversified line of cable and wire. These are marketed in an assortment of spooled lengths through Noma Lites with concentration being in the retail distribution channels.

OEM customers' sales are serviced direct by Cable Tech's own sales force. The latest addition to their range is building wire in various sizes.



Noma has developed "ECONOEL" light sets. First in Canada — these outdoor lights use low watt bulbs and save up to 50% on electricity. NEW Trees too, Canadian Pines — lush, natural looking, styled to appeal to quality conscious con-

sumers and so easy to decorate.
For trees that really go up fast,
Noma's pre-assembled trees. A line
of popular priced Scotch Pines and
Canadian Pines which unfold
because branches are already fixed
to the tree trunk.



New to the Canadiana line are the narrow profile, rear bagger, lawnmowers, which enable you to trim close to shrubs and fences, etc., and give you fast, effortless bagging. Also new is the 22" swath, 2 stage, 5 HP snowblower with most of the heavy duty quality features of the 8 HP and 10 HP sizes.

